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SENATE BILL 3173 By
Gilbert

HOUSE BILL 3236
By Armstrong

AN ACT to amend Tennessee Code Annotated, Title 7 and Title 67,
Chapter 6, to enact the "Convention Center and Tourism
Development Financing Act of 1998".

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 7, is amended by adding Sections 2
through 9 as a new chapter.

SECTION 2. This act shall be known and may be cited as the "Convention Center and
Tourism Development Financing Act of 1998".

SECTION 3. The purpose of this act is to increase state tourism and related economic
development by providing a financing mechanism for the development of convention centers
and other similar public use facilities that will attract and serve major tourism destinations,
thereby fostering economic benefit to the state and hosting cities and counties.

SECTION 4. As used in this act, unless the context otherwise requires:

(1) "Base tax revenues" means the revenues generated from the
collection of state and local sales and use taxes from all businesses within the
applicable tourism development zone as of the end of the fiscal year of the state
of Tennessee immediately prior to the year in which the municipality or public
authority is entitled to receive an allocation of tax revenue pursuant to this act,
adjusted annually after the first year by a percentage equal to the percentage of
change in the collection of state and local sales and use taxes derived from the

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sale of goods, products and services for the entire county in which the public use facility is located for the preceding fiscal year.

(2) "Beneficially impacted area" means the geographic area within which it is reasonably anticipated and projected that state and local sales and use taxes will increase as a result of the construction and operation of the qualified public use facility by an amount in excess of the increases in the collection of state and local sales and use tax revenues reasonably projected to occur within that area without regard to the construction of the public use facility.

(3) "Central business improvement district" means a central business improvement district created by the establishment ordinance of a municipality pursuant to Title 7, Chapter 84, whether now existing or hereafter created; provided, however, that the allocations, apportionments and payments set forth in this act shall not apply to state or local tax revenue derived from any area added to a central business improvement district by amendment of the boundaries of the central business improvement district by the municipality after the approval of the municipality's application by the state building commission, unless the department of finance and administration has determined in accordance with the provisions of this act that the area added to the central business improvement district is a beneficially impacted area.

(4) "Cost" as applied to any public use facility includes the cost of acquisition, design, construction, renovation, improvement, demolition and relocation of any improvements; the cost of labor, materials and equipment; the cost of all lands, property rights, easements and franchises required; financing charges, interest and debt service prior to, during or after construction; the cost of issuing bonds in connection with any financing, cost of plans and specifications, services and estimates of costs and of revenue; cost of

engineering, accounting and legal services; all expenses necessary or incident to determining the feasibility or practicability of such acquisitions or constructions; salaries, overhead and other costs of the public building authority allocated to the project; and administrative, legal and engineering expenses and such other expenses as may be necessary or incident to such acquisition, design, construction, renovation, demolition, relocation or the financing thereof, including any such costs incurred by a municipality or public building authority relating to the public use facility within one (1) year prior to the municipality's designation of the proposed tourism development zone for such facility.

(5) "Municipality" means any incorporated city or county located in the state of Tennessee.

(6) "Public authority" means any agency, authority or instrumentality created or authorized by any municipality or by two (2) or more municipalities acting jointly, including, without limitation, any public building authority organized pursuant to the provisions of Title 12, Chapter 10.

(7) "Qualified public use facility" includes any building, complex, center, facility, or other structure containing at least two hundred fifty thousand (250,000) square feet (inclusive of exhibit halls, ballrooms, meeting rooms, lobbies corridors, service areas and other building areas) constructed, leased, equipped, renovated, acquired or expanded after January 1, 1998, as a project meeting the requirements of Title 9, Chapter 21, or Title 12, Chapter 10, by a public authority or municipality for the purpose of furnishing new community facilities for conventions, meetings, exhibitions, trade shows and other events for educational, entertainment, business, association, cultural, public interest, public service and common interest groups, organizations and entities and which requires a local investment of public funds in excess of seventy-five million

dollars (\$75,000,000) and is reasonably anticipated to attract private investment in the tourism development zone of more than twenty-five million dollars (\$25,000,000). "Qualified public use facility" also includes parks, plazas, sidewalks, accessways, roads, drives, bridges, ramps, landscaping, signage, parking lots, parking structures and other public improvements constructed or renovated by the municipality or the public building authority in connection with the public use facility and any related infrastructure and utility improvements for public or private peripheral development included in a master development plan for the tourism development zone and which is constructed, renovated or installed by the municipality or the public authority.

(8) "Tourism development zone" means an area in a municipality designated by ordinance or resolution of such municipality in which a qualified public use facility is located or planned, that is determined by the department of finance and administration to be a beneficially impacted area in accordance with the requirements of this act and that is certified as a tourism development zone by the department of finance and administration.

SECTION 5. Annual adjustments to the base tax revenues of the tourism development zone shall be made by the department of revenue within ninety (90) days of the end of each fiscal year and shall be effective immediately upon notification of such adjustment from the department of revenue to the municipality or public authority.

SECTION 6. For any municipality with a central business improvement district, the tourism development zone shall not exceed the area of the central business improvement district if the qualified public use facility is located within such district. For any municipality that does not have a central business improvement district or which locates the qualified public facility outside such district, the tourism development zone shall not exceed an area that is within a one (1) mile radius of the qualified public use facility.

SECTION 7. If a municipality or public authority has financed, constructed, leased, equipped, renovated or acquired a qualified public use facility within a tourism development zone, then state and local sales and use taxes shall be apportioned and distributed to the municipality in an amount equal to the incremental increase in state and local sales and use tax revenue derived from the sale of goods, products and services within the tourism development zone in excess of base tax revenues. Apportionment and distribution of such taxes shall continue, until the earlier of:

(A) the date on which the cumulative amount apportioned and distributed to the municipality equals the cost of the qualified public use facility, plus any interest on indebtedness of the municipality or public authority related to such cost, or

(B) the date on which the qualified public use facility ceases to be a qualified public use facility.

Tax revenue distributed to the municipality shall be for the exclusive use of the municipality or the public authority formally designated by the municipality, in accordance with the provisions of Title 9, Chapter 21, or Title 12, Chapter 10, for payment of the cost of the public use facility, including interest and debt service on any indebtedness related thereto. The apportionment and payment shall be made by the department of revenue to the municipality within ninety (90) days of the end of each fiscal year for which the municipality is entitled to receive an allocation and payment pursuant to this act.

SECTION 8. Any bonds, notes or other indebtedness relative to the cost of a qualified public use facility shall not be issued for a term longer than thirty (30) years from the date it is reasonably anticipated that the facility will commence operation as a public use facility, and the municipality or public authority is authorized to pledge all proceeds or taxes received by it pursuant to this act to the payment of principal of and interest on such bonds, notes or other indebtedness.

SECTION 9. To be entitled to receive the allocations of state and local sales and use taxes as provided in this act, a municipality or public authority must first file with the department of finance and administration an application seeking certification of the tourism development zone and the planned public use facility as a qualified public use facility. The application shall include a master development plan for the proposed tourism development zone containing such information as may be reasonably required by the department of finance and administration. The department of finance and administration shall review the application to confirm that:

(1) the planned public use facility is qualified under the requirements of this act;

and

(2) the planned public use facility will be located within a qualified tourism development zone.

The department of finance and administration shall also review the proposed boundaries of the proposed tourism development zone and shall determine if it is a beneficially impacted area. If the department of finance and administration determines that the boundaries of the proposed tourism development zone exceed the area that is reasonably anticipated to benefit from the construction and operation of the qualified public use facility, the department of finance and administration may adjust or reduce the boundaries of the proposed area. In reviewing the application, the department of finance and administration shall consult with the department of economic and community development and the department of tourism. Upon completion of its review of the application, the department of finance and administration shall certify the tourism development zone and forward the application to the state building commission for review and approval or disapproval, based on the standards established by this act.

The apportionment and distribution of state and local sales and use taxes to the municipality as provided in this act shall commence at the beginning of the fiscal year in

which the state building commission approves the application or the beginning of the fiscal year in which the facility opens for public use, whichever is later.

SECTION 10. Tennessee Code Annotated, Section 67-6-103, is amended by adding the following new subsection:

() Notwithstanding the provisions of this section to the contrary, revenue derived from taxes imposed by this chapter, except revenue allocated pursuant to subsection (c)(2) of this section, shall be earmarked and allocated in accordance with the provisions of this act.

SECTION 11. Tennessee Code Annotated, Section 67-6-601(c), is amended by adding at the end of the last sentence of that subsection the words "and public building authorities".

SECTION 12. Tennessee Code Annotated, Section 67-6-712, is amended by adding the following new subsection:

() Notwithstanding the provisions of this section to the contrary, revenue derived from taxes imposed by this part shall be earmarked and allocated in accordance with the provisions of this act.

SECTION 13. The department of revenue and the department of finance and administration are authorized to adopt rules and regulations in accordance with the provisions of title 4, chapter 5, to implement the provisions of this act. The state building commission is authorized to adopt procedures to implement the provisions of this act.

SECTION 14. For the purpose of promulgating rules, regulations and procedures, this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes, this act shall take effect on July 1, 1998, the public welfare requiring it.